

RULES CONCERNING DISTRIBUTION TO CUSTOMERS RELATED TO UNDERWRITING, ETC. OF PUBLIC OFFERING, ETC. OF SHARE CERTIFICATES, ETC.

(August 8, 1997)

CHAPTER I GENERAL PROVISIONS

(Purpose)

Article 1 The purpose of the Rules Concerning Distribution to Customers related to Underwriting, Etc. of Public Offering, Etc. of Share Certificates, Etc. (hereinafter referred to as the “Rules”) is to smoothly sell Share Certificates, etc. (prescribed in Article 2, Item 1 of the “Rules Concerning Underwriting, Etc. of Securities” (hereinafter referred to as the “Underwriting Rules”); the same shall apply hereinafter) and to properly distribute Share Certificates, etc. to customers when conducting the Underwriting of Public Offering (excluding those related to the Standby Rights Offering prescribed in Article 2, Item 25 of the Underwriting Rules; the same shall apply hereinafter) or Secondary Distribution (limited to those that require the preparation of prospectus or Explanatory Note on Business Conditions (prescribed in Article 2, Item 3 of the Rules Concerning Over-The-Counter Securities; the same shall apply hereinafter); the same shall apply hereinafter) of Share Certificates, handling Public Offering (excluding the Equity-based Crowdfunding Business (meaning the Equity-based Crowdfunding Business prescribed in Article 2, Item 2 of the Rules Concerning Equity-based Crowdfunding Business) conducted by a Regular Member or Specified Business Member (meaning Specified Business Member conducting only the business set forth in Article 5, Item 2(b) of the Articles of Association); the same shall apply hereinafter), handling Secondary Distribution, or conducting Secondary Distribution (hereinafter referred to as the “Underwriting, etc. of Public Offering, etc.”).

CHAPTER II PROPER DISTRIBUTION

(Proper Distribution)

Article 2 When an Association Member conducts the Underwriting, etc. of Public Offering, etc., it must fully consider the market condition and the trend of investment demand, and endeavor to distribute Share Certificates, etc. related to the Underwriting, etc. of the Public Offering, etc. to customers in a fair manner and not to concentrate on specific investors without a reasonable cause.

2. When a Regular Member Underwriter (prescribed in Article 2, Item 8 of the Underwriting Rules; the same shall apply hereinafter) conducts the Underwriting of Public Offering or Secondary Distribution of Share Certificates, etc., it must not conduct the preferential allotment (“*oyabike*” that means a sale to a person designated by the issuer and includes substantially the same act such as suggesting to a person to whom Share Certificates are sold; the same shall apply hereinafter in this Paragraph and the following Paragraph). Provided, however, that this provision does not apply if all the requirements set forth below are fulfilled:

- (1) The Regular Member Underwriter judges that even after the preferential allotment is conducted, the distribution does not breach the provision in the preceding Paragraph;
- (2) Regarding the preferential allotment, the issuer of the Share Certificates, etc. properly discloses the condition (meaning a summary of the entity subject to the preferential allotment, relationship

between issuer and such entity, reason why such entity is selected, the number of share certificates to be distributed to the entity, policy of holding share certificates in relation to the preferential allotment, entity's status of funds to be used for the payment, and the actual status of the entity) of the entity subject to the preferential allotment (an entity who is expected to be distributed in the preferential allotment; the same shall apply hereinafter), transfer restriction of Share Certificates, etc. under the preferential allotment, issuance conditions, major shareholders after the preferential allotment, whether reverse share split is planned or not and details if planned, and other reference matters after the submission of the securities registration statement or the issuance registration document;

- (3) The Lead Managing Regular Member Underwriter (prescribed in Article 2, Item 9 of the Underwriting Rules; the same shall apply hereinafter) receives a commitment in writing from the entity subject to the preferential allotment that it would continue holding Share Certificates, etc. during the period from the last payment date or the last day of the payment period for such Public Offering, or the delivery date for the Secondary Distribution to the date when 180 days have passed since any of the above-mentioned dates.
3. When parallel allotment of new shares to a third party (i.e. allotment of new shares to a third party (prescribed in Article 19, Paragraph 2, Item 1(xii) of the Cabinet Office Ordinance Concerning the Disclosure of Corporate Business; in that provision, "share certificates, share option certificates, and bonds with share options" shall be read as "Share Certificates, etc."; the same shall apply hereinafter) by the issuer of the Share Certificates, etc. which is simultaneously conducted with public offering or secondary distribution of Share Certificates, etc. that is underwritten by the Regular Member Underwriter; the same shall apply hereinafter) is conducted, the Regular Member Underwriter must request the issuer to respect the purport of the provisions in the preceding Paragraph (excluding Item 2 of the same Paragraph) at the time of conducting a parallel allotment of new shares to a third party.

CHAPTER III. DISTRIBUTION TO RETAIL CUSTOMERS AT THE INITIAL PUBLIC OFFERING

(Partial Distribution by Drawing at the Initial Public Offering)

Article 3 When an Association Member distributes share certificates or beneficiary certificates of foreign share trust to retail customers at the time of initial public offering (as for the foreign share trust beneficiary certificates, limited to the cases of issuance where foreign share certificates that become entrusted securities, prescribed in Article 2-3, Item 3 of the "Enforcement Ordinance of the Financial Instruments and Exchange Act," are issued by an issuer who has not listed them in any Foreign Financial Instruments Market (including the over-the-counter market; the same shall apply hereinafter); the same shall apply hereinafter), in principle, it shall determine the distributing parties by drawing for 10% or more of the quantity that is to be distributed by the Association Member to retail customers; provided, however, that it may decrease the ratio for drawing, may not adopt the distribution by drawing, or may cancel the distribution by drawing in any of the following cases:

- (1) The demand for the book building is not sufficiently accumulating;
- (2) The number of retail customers' applications received by an Association Member does not reach the quantity that is planned for distribution to retail customers by the Association Member;
- (3) The number of applications for drawing received by an Association Member does not reach the quantity that is planned for distribution by drawing by the Association Member;

- (4) The quantity that is planned for distribution by drawing does not reach five units;
- (5) The Association Member is specialized in the wholesale business;
- (6) Other rational reasons, if any.

(Prohibition of Centralized Distribution and Unfair Distribution)

Article 4 In the case where an Association Member distributes share certificates or beneficiary certificates of foreign share trust to retail customers at the initial public offering under a method other than drawing, it must not excessively centralize the distribution or conduct an unfair distribution to a specific customer. The Association Member must pay attention that the distribution to each customer by means other than drawing should not be excessive compared with the average quantity distributed by drawing to each customer, and must not repeatedly distribute to the same customer.

CHAPTER IV PROVISION OF SHARE DISTRIBUTED ENTITY INFORMATION

(Customers Included in the Share Distributed Entity Information)

Article 5 Customers (excluding individuals; the same shall apply hereinafter in this Chapter) included in the share distributed entity information (prescribed in the next Article; the same shall apply hereinafter in this Article) that is provided pursuant to next Article and Article 7 shall be those who are set forth in each Item below:

- (1) The following persons whom it is appropriate to be regarded as the customers included in the share distributed entity information:
 - (a) Banks;
 - (b) Financial Instruments Business Operators (excluding individuals) who conduct investment advisory/agent business or investment management business;
 - (c) Investment corporations (prescribed in Article 2, Paragraph 12 of the “Act on Investment Trust and Investment Corporation”).
- (2) Insurance companies;
- (3) Pension Fund Association;
- (4) Shinkin Central Bank;
- (5) The Shinkumi Federation Bank;
- (6) The Norinchukin Bank;
- (7) National Mutual Insurance Federation of Agricultural Cooperatives;

(8) National Mutual Insurance Federation of Fishery Cooperatives;

(9) The Rokinren Bank;

(10) Shoko Chukin Bank;

(11) Non-residents prescribed in Article 6, Paragraph 1, Item 6 of the Foreign Exchange and Foreign Trade Act (excluding individuals).

2. A Lead Managing Regular Member Underwriter (or one representative Lead Managing Regular Member Underwriter if there are two or more Lead Managing Regular Member Underwriters (hereinafter referred to as the “Representative Lead Managing Regular Member Underwriter” in this Chapter); the same shall apply hereinafter in this Chapter) must designate the customer prescribed in the preceding Paragraph, Item 1, notify the name of such customer to other Regular Member Underwriters (prescribed in Article 2, Item 10 of the Underwriting Rules; if there are two or more Lead Managing Regular Member Underwriters, including the Lead Managing Regular Member Underwriter who is not a Representative Lead Managing Regular Member Underwriter; the same shall apply hereinafter in this Chapter) without delay after the resolution of the board of directors (or a decision of executive officers, in the case of a Company with Nominating Committee, etc., or a decision of directors, in the case of a Company with Audit and Supervisory Committee) is made in relation to a public offering or secondary distribution, and report the same to the Association in a designated form.

(Provision of Share Distributed Entity Information from Other Regular Member Underwriters to Lead Managing Regular Member Underwriter)

Article 6 If other Regular Member Underwriters allot underwritten Share Certificates, etc. to customers (excluding the preferential allotment ; the same shall apply hereinafter in this Chapter), they shall provide the Lead Managing Regular Member Underwriter with the name of the customers who falls under the preceding Article, Paragraph 1 and the number of Share Certificates, etc. allotted to such customers (hereinafter referred to as the “Share Distributed Entity Information”) without delay.

(Provision of Share Distributed Entity Information from Lead Managing Regular Member Underwriter to Issuer)

Article 7 If a Lead Managing Regular Member Underwriter allots underwritten Share Certificates, etc. to customers and receives the Share Distributed Entity Information from all other Regular Member Underwriters pursuant to preceding Article, the Lead Managing Regular Member Underwriter must provide the Share Distributed Entity Information of customers who fall under Article 5, Paragraph 1 and the Share Distributed Entity Information provided by other Regular Member Underwriters to the issuer of Share Certificates, etc. without delay. If Share Certificates, etc. are real estate investment trust securities (i.e., real estate investment trust securities set forth in Article 2, Paragraph 1, Item 11 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”), the purpose of which is to invest investors’ money mainly in the real estate; the same shall apply hereinafter), the “issuer of Share Certificates, etc.” referred to above means an asset management company of the investment corporation who is the issuer of such real estate investment trust securities (i.e., asset management company prescribed in Article 2, Paragraph 19 of the Act on Investment Trust and Investment Corporation; the same shall apply hereinafter), and if Share Certificates, etc. are Infrastructure Funds (i.e., investment securities or foreign investment securities set forth in Article 2, Paragraph 1, Item 11 of the FIEA, the purpose of which is to invest investors’ money mainly in infrastructure assets; the same shall apply hereinafter), the “issuer of Share Certificates, etc.” referred to above means an asset

management company of the investment corporation who is the issuer of such Infrastructure Funds; the same shall apply in the following Article.)

(Management of Share Distributed Entity Information by Issuer)

Article 8 If the issuer receives the Share Distributed Entity Information that is provided pursuant to the preceding Paragraph, a Lead Managing Regular Member Underwriter must receive a commitment in writing from the issuer that the issuer would properly manage the Share Distributed Entity Information to avoid any leakage.

CHAPTER V. BASIC POLICY AND INTERNAL RULES ON DISTRIBUTION

(Preparation and Announcement of Basic Policy on Distribution)

Article 9 When an Association Member conducts Underwriting, etc. of Public Offering, etc. it must prepare in advance the basic policy on distributing share certificates, etc. to investors (hereinafter referred to as the “Basic Policy”).

2. The Basic Policy prescribed in the preceding Paragraph shall describe matters set forth in each Item below concretely and in an easy-to-understandable manner to investors to the extent possible:
 - (1) The ratio of quantity under drawing and the dealing of drawing;
 - (2) Such matters for which the Association Member may decrease the ratio of quantity under drawing, may not adopt the drawing, or may cancel the drawing;
 - (3) Dealing of distribution by means other than the drawing;
 - (4) Measures taken to prevent excessive centralized distribution and unfair distribution;
 - (5) The relationship with distribution in the case where the book-building method is adopted;
 - (6) Other matters that the Association Member deems necessary for the Investment Decision by investors.
3. An Association Member must disseminate the detailed contents of the Basic Policy to investors by appropriate means such as displaying it on its branch offices/sales counters, or uploading it on its web site, etc.
4. An Association Member must submit its Basic Policy to the Association if it is requested by the Association.

(Establishment of Internal Rules)

Article 10 An Association Member must establish internal rules on the distribution of share certificates, etc. subject to the Underwriting, etc. of Public Offering, etc. (hereinafter referred to as the “Internal Rules”) and comply with them.

2. The Internal Rules shall prescribe the followings set forth in each Item below in detail and concretely to the extent possible:
 - (1) Basic Policy on distribution;

- (2) The ratio of quantity under drawing and the dealing of drawing;
 - (3) Such matters for which the Association Member may decrease the ratio of quantity under drawing, may not adopt the drawing, or may cancel the drawing;
 - (4) Customers, etc. that are not allowed to apply for the distribution;
 - (5) Dealing of distribution by means other than the drawing;
 - (6) Measures taken to prevent excessive centralized distribution and unfair distribution;
 - (7) Compliance with laws and regulations, etc.;
 - (8) Dealing of distribution related to hot issues;
 - (9) Dealing of distribution when the equity market environment deteriorates;
 - (10) The relationship with distribution in the case where the book-building method is adopted;
 - (11) The relationship with distribution in the case where another method is adopted;
 - (12) Method of providing the Share Distributed Entity Information;
 - (13) Internal inspection procedures;
 - (14) Other matters that the Association Member deems necessary.
3. An Association Member must submit its Internal Rules to the Association if requested by the Association.

(Enhancement of Internal Administration System)

Article 11 An Association Member must regularly inspect whether the distribution of share certificates, etc. under the Underwriting, etc. of Public Offering, etc. was properly conducted pursuant to its Internal Rules under the responsibility of the Internal Administration Supervisor.

CHAPTER VI. MISCELLANEOUS PROVISIONS

(Retention, Etc. of Record)

Article 12 An Association Member must retain the record set forth below for five years so that an external audit and inspection, etc. are conducted properly:

- (1) Record concerning distribution of individual issues;
 - (2) Record concerning quantity under drawing (including the reason for decreasing the ratio of quantity under drawing, not adopting the drawing, or canceling the drawing; if any);
 - (3) Record concerning results of inspection set forth in the preceding Article.
2. An Association Member shall respond to a request for submission of or undergo an audit of the record set forth in each Item of the preceding Paragraph, if the Association requests:

(Announcement of Distribution Condition)

Article 13 A Regular Member must collect the information on distribution of share certificates, etc. underwritten by itself on a quarterly basis, analyze the information, and report the result of analysis to the Association using the prescribed form.

2. An Association Member must summarize the distribution condition of share certificates, etc. or foreign share trust beneficiary certificates to retail customers at the initial public offering on a monthly basis, analyze it, and report it to the Association using the prescribed form by the month after the next month in which the payment due date falls.
3. The Association shall regularly announce to the general public the distribution condition reported by Association Members pursuant to the preceding two Paragraphs.

(Mutatis Mutandis Application to Public Offering or Secondary Distribution Overseas)

Article 14 In the case that an issuer in Japan conducts Public Offering or Secondary Distribution of Share Certificates, etc. overseas, if an Association Member introduces its own overseas affiliated company (foreign corporation that is an affiliated company prescribed in Article 177, Paragraph 6 of the Cabinet Ordinance Concerning Financial Instruments Business, Etc.) for the Underwriting, the Association Member shall request such overseas affiliated company to comply with the provision of Article 2, Paragraph 2 regarding the preferential allotment and the provision of the same Article, Paragraph 3 regarding the parallel allotment of new shares to a third party respectively, and to provide the issuer with the Share Distributed Entity Information pursuant to Chapter IV.

(Reporting to the Association)

Article 15 The Association may request Regular Members to submit a report or materials on these Rules if the Association deems it necessary.

2. A Regular Member must respond to a request for submitting a report or materials prescribed in the preceding Paragraph.

(Exemption from Application of Part of Rules)

Article 16 These Rules shall not apply to the handling of public offering or secondary distribution of real estate investment trust securities or Infrastructure Funds (limited to the case that it is an allotment of new shares to a third party other than the parallel allotment of new shares to a third party, and that the Share Distributed Entity is disclosed).

SUPPLEMENTARY PROVISIONS [Omitted]

(Notes) These Rules are based on the version in effect as of January 1, 2016.

<p>This translation is solely for the convenience of those interested therein, and accordingly all questions that may arise with regard to the meaning of the words or expressions herein shall be dealt with in accordance with the original Japanese text</p>
